



Clyde C. Holloway
Commissioner

Louisiana Public Service Commission

11098 Hwy 165 South
Forest Hill, Louisiana 71430

District IV
(318) 748-4715
(800) 256-2490
(318) 748-4400 Fax

August 18, 2011

FCC Chairman Julius Genachowski
Commissioner Michael J. Copps
Commissioner Robert M. McDowell
Commissioner Mignon Clyburn
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Comments to FCC's Further Inquiry Into Certain Issues in the Universal Service – Intercarrier Compensation Transformation Proceeding (“Further Inquiry”)

Connect America Fund, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board on Universal Service*, CC Docket 96-45; *Lifeline and Link-Up*, WC Docket No. 03-109.

Dear Mr. Chairman and Commissioners:

As Vice-Chairman of the Louisiana Public Service Commission (“LPSC”), I am writing to request that any reforms to the federal universal service fund (“USF”) and intercarrier compensation (“ICC”) support mechanisms should not jeopardize the ongoing viability of these programs and the critical support they provide to the Rural Telephone Companies of Louisiana. The continued provision of affordable high-quality telecommunications and advanced services to our citizens throughout the rural areas of Louisiana depends on the long-term viability of the federal USF and ICC programs.

I am concerned, however, that certain proposals as described in the Further Inquiry released August 3, 2011 may have the unintended consequence of reducing the availability, affordability, and/or sustainability of services for consumers in the most rural areas of Louisiana. Any reforms that the FCC undertakes should be carefully crafted to address needed improvements in existing programs, and to ensure that rural consumers have ongoing access to broadband services that are reasonably comparable in price and quality to those available in urban areas.

The Rural Telephone Companies provide a wide array of high quality communications services to rural consumers in Louisiana and are an engine for economic development in the areas they serve. The Rural Telephone Companies have deployed their networks to ensure that service is available to all known inhabited rural residents in some of Louisiana's most remote and difficult to serve areas. Any reforms to the existing USF High-Cost and ICC mechanisms adopted by the FCC should not compromise the Rural Telephone Companies' ability to continue to deploy the capital necessary to offer broadband telecommunications and information services.

The universal provision of high-quality services to the rural citizens and businesses of Louisiana is dependent upon the Rural Telephone Companies continued ability to deploy and maintain their networks, which in turn rely on federal USF and ICC for a significant portion of their network cost recovery. Therefore, any reform plan should ensure that network providers – particularly those with carrier of last resort obligations – retain the ability and incentive to invest in and upgrade their facilities in response to consumers' growing demands and evolving needs.

Many Louisiana carriers serving the most rural areas have taken out loans to construct necessary infrastructure based upon the reasonable expectation of the continued receipt of support. Any abrupt elimination or reduction of this funding, without a reasonable opportunity for carriers to recover investments made in good faith under current rules, could have serious repercussions on the availability, affordability and quality of services for rural consumers.

Any reform plan adopted by the FCC should ensure that it reflects a balance of consumer interests. No reform plan should disproportionately burden the rural residents and small businesses of Louisiana. The FCC should consider only measured and reasoned reforms to the existing USF High-Cost and ICC mechanisms. While the FCC considers reforms that orient the USF toward more express support of broadband-capable networks and affordable end-user rates, it should ensure that any reforms adopted include retaining mechanisms that have worked to deliver broadband-capable networks in the rural areas of the nation to date, including rate of return cost recovery at the federal level.

Many of the proposals outlined in the FCC's USF and ICC NPRM and Further Inquiry, if adopted, could jeopardize universal service in the rural areas of Louisiana. In particular, proposals that would reduce ICC rates to zero or near-zero, and attempt to preempt state authority over intrastate access charges could result in lengthy legal proceedings that would harm the public by delaying needed certainty regarding intercarrier compensation issues. Artificially low ICC rates could place additional pressure on end user rates and, absent a sufficient and predictable federal revenue recovery mechanism, could threaten continued network investment, operation and upgrades in rural areas.

In its USF and ICC NPRM, the FCC has identified four principles, rooted in Section 254 of the Communications Act of 1934, as amended (the "Act"), to guide its USF and ICC reforms.

Modernize USF and ICC for Broadband. Any reform of USF and ICC mechanisms should achieve the FCC's goal of modernizing USF and ICC for broadband in a manner that is "specific, predictable and sufficient," as required under Section 254 of the Act, and ensures that advanced services and rates in rural areas are "reasonably comparable" to those available to consumers and businesses in urban areas. Reforms should promote responsible investment that will keep high-cost areas served where broadband is currently deployed and permit the responsible expansion of broadband into currently unserved high-cost areas.

Achieve Fiscal Responsibility. To achieve the FCC's principles of fiscal responsibility, reforms should permit rural landline carriers to continue broadband deployment efforts in line with responsible engineering practices, while ensuring that future deployment efforts are not artificially driven. The FCC's broadband goals will not be met by capping high-cost support at current levels. The FCC should balance between its desire to minimize contribution amounts imposed on consumers nationwide and the need to avoid detrimental impacts on rural consumers and to achieve reasonable comparability between rural and urban service. The FCC should take immediate action to stabilize USF mechanisms by broadening the base of USF contributors. Broadband Internet access providers collectively represent a large and growing source of connections and revenues as well as overall network utilization.

The FCC should eliminate the current identical support rule. Costs incurred by rural incumbent LECs and Competitive Eligible Telecommunications Carriers ("CETCs") in providing universal service in rural areas are not identical. Different network technologies carry different costs, both to build and to maintain the network. The identical support rule for receipt of universal service dollars is an inequitable means of awarding support to CETCs that do not have similar regulatory obligations or costs.

Ensure Accountability. To achieve accountability from companies receiving support, reforms should carry forward critical carrier of last resort responsibilities to a broadband environment and require USF recipients to satisfy these responsibilities.

In addition, states will continue to have an important role in preserving carrier of last resort principles and rules, and in protecting and enforcing consumer interests. The FCC should ensure that any actions it takes do not undermine the states' interests in protecting consumers. The states can be essential partners with the FCC in ensuring accountability of USF support recipients through reasonable, well defined carrier of last resort obligations.

Market Driven Policies. Reforms should incorporate effective and efficient incentives for broadband deployment and adoption. Reforms should include a well-defined and measured transition path for migrating toward a broadband-focused Connect America Fund for rural landline carriers. Reforms mechanisms should include a flexible transition process so that they can be adjusted to reflect changes in the broadband marketplace.

Market based funding proposals such as reverse auctions and cost models are unworkable and will cause USF funding to become unstable and unpredictable. The use of competitive bidding in rural areas would jeopardize future network investment and place at significant risk the continued availability of reasonably comparable services and rates to rural consumers. Telecommunications networks require large investments in long-lived infrastructure, and without a reasonable expectation that these costs can be recovered, investments will not be made.

The FCC should proceed cautiously in considering any proposal to reduce or eliminate USF support in so-called 'competitive areas.' The FCC's premise that funding should no longer be available where a competitor exists ignores situations where there may be cross subsidization between a competing carrier's urban and rural operations. Cable competitors can balance rates between urban and rural markets. Rural Telephone Companies typically do not have the ability to rate rebalance between rural and urban markets.

Under all circumstances, the FCC should ensure that any reduction or elimination of funding does not affect the ability of the rural incumbent carriers to recover existing investments made under current rules. Rural ILECs have efficiently invested in their networks under the current rules and pursuant to their carrier of last resort obligations to make quality services ubiquitously available throughout their territories and to offer broadband services to as many of their customers as possible.

Reforms should also enable rural carriers to continue to focus on broadband deployment and adoption without any "flash-cuts" that would cause rural consumers and businesses to experience service disruptions, declines in service quality, or drastic changes in rates for service. Reforms should also recognize the hybrid nature of today's federal-state USF and ICC mechanisms, and balance the need for both federal and state involvement in broadband and high-cost support administration. Reforms should rely on in-place accounting and ratemaking mechanisms so that they are workable for the long term.

Thank you for considering my input on these very important issues. I appreciate your commitment to balance the various competing interests in this matter for the benefit of the rural citizens of Louisiana and the nation.

Sincerely,

A handwritten signature in blue ink that reads "Clyde C. Holloway". The signature is fluid and cursive, with the first and last names being more prominent.

Clyde C. Holloway, Vice-Chairman
Louisiana Public Service Commission, District IV

cc: Marlene H. Dortch, Secretary, Federal Communications Commission